Description of the Area of Benefit and Project Land Uses

Inventory and Location

A Facilities Benefit Assessment is applied to residential and non-residential land uses, and various combinations of these land uses that are undeveloped at the time of the adoption of the Resolution of Intention. Such areas are defined as "Areas of Benefit." The location and extent of the Area of Benefit are determined by reference to the County Assessor parcel maps, tentative subdivision maps currently on file, and from information supplied by affected property owners. This information, along with land use designations, produces a distribution as follows:

Land Use	Projected Development
Single-Family Residential	3,858 Dwelling Units
Multi-Family Residential	1,542 Dwelling Units
Commercial/Retail[1]	135,000 Square Feet
Hotel and Golf Courses	300 Rooms + 2 Courses
Employment Center/Town Center	450,000 Square Feet
Office	65,000 Square Feet
Institutional	16.0 Acres

Figure 1 on page 5 shows the proposed boundaries for the Facilities Benefit Assessment Area.

Development Schedule

The development schedule for Black Mountain Ranch is based on an estimated development timetable as presently anticipated by the existing property owners, their land use consultants and City Staff. The data indicates that future developments will take place over a nine-year period.

The projected timing of development for Black Mountain Ranch is presented in Table 1. In this table, the number of units developed within a year refers to those applicants having building permits issued (or paid) during the July-to-June fiscal year, ending with the indicated date. Thus, the number of units developed in 2006 refers to those for which permits are issued, or paid, between July 1, 2005 and June 30, 2006.

[1] 60,000 square feet of the Commercial/Retail is to be located at the Resort Hotel Complex or the South Village Town Center. Should all 60,000 square feet not be constructed at these two sites, the balance may be constructed elsewhere within the Black Mountain Ranch Community. Remainder of the 135ksf will be located at the North Village Town Center.

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AREA OF BENEFIT

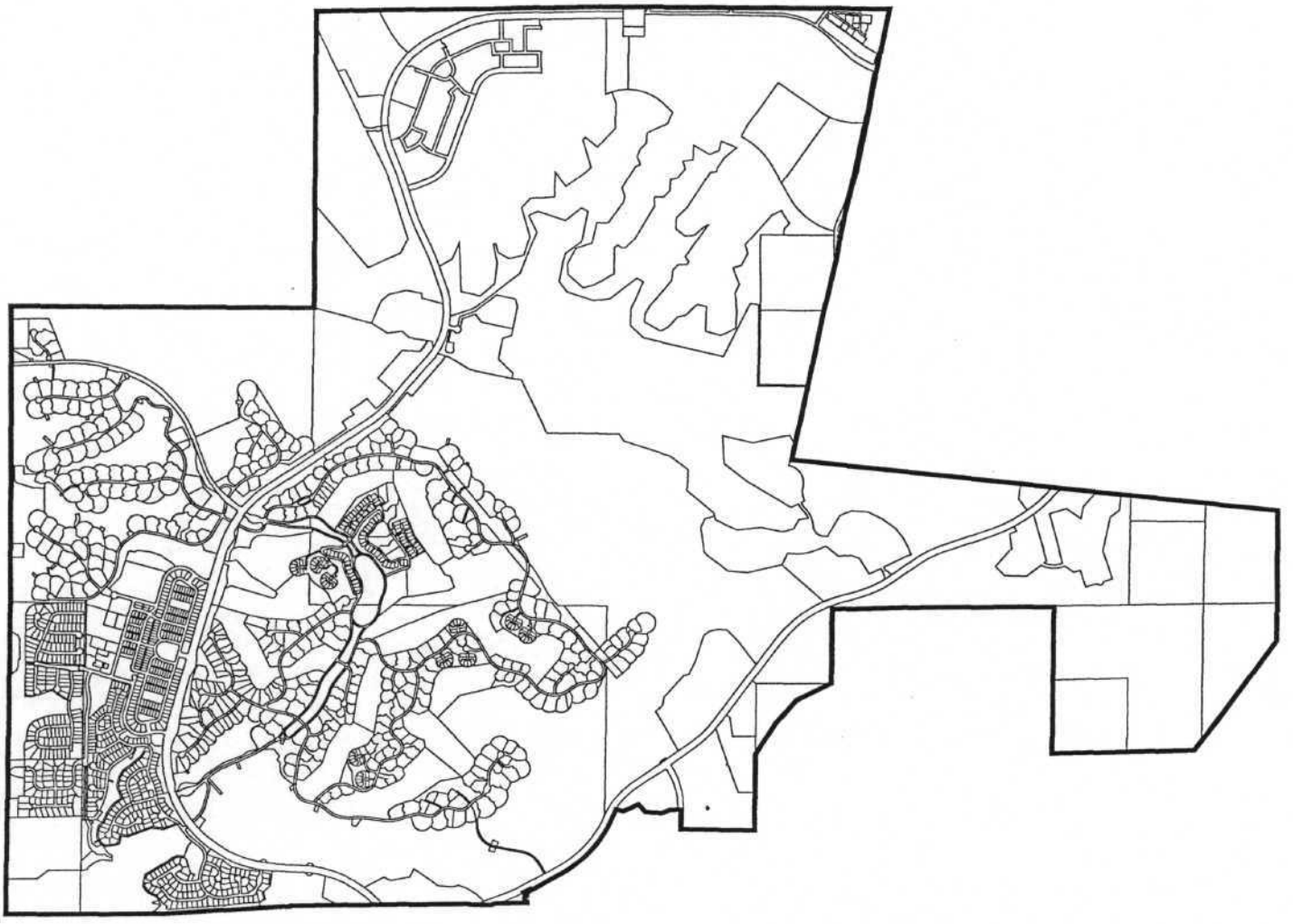

Figure 1

BLACK MOUNTAIN RANCH FACILITIES BENEFIT ASSESSMENT

San Diego, County of San Diego, and State of California

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Table 1
Residential Development Schedule

FISCAL YEAR	SFU	MFU	DU's PER YR	CUMM. DU's
Prior Years				
2001	69	0	69	69
2002	282	0	282	351
2003	377	188	565	916
2004	255	129	384	1,300
2005	63	0	63	1,363
Proposed				
2006	226	230	456	1,819
2007	666	30	696	2,515
2008	523	253	776	3,291
2009	375	225	600	3,891
2010	345	155	500	4,391
2011	235	125	360	4,751
2012	235	125	360	5,111
2013	175	75	250	5,361
2014	32	7	39	5,400
PRIOR	1,046	317		1,363
TO GO	2,812	1,225		4,037
TOTAL	3,858	1,542		5,400

Table 1 - Residential Development Schedule

For development schedule of Non-Residential Property, see next page.

Table 1 - Continued
Non-residential Development Schedule

Fiscal Year	CKSF	GOLF	HROOM	OKSF	INSTAC	ECKSF
Prior Years	60.0	2.0	300.0	0.0	0.0	0.0
2005	0.0	0.0	0.0	0.0	0.0	0.0
2006	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.0	0.0	0.0	0.0
2008	0.0	0.0	0.0	0.0	0.0	0.0
2009	12.0	0.0	0.0	0.0	10.6	67.5
2010	12.0	0.0	0.0	65.0	5.4	312.0
2011	0.0	0.0	0.0	0.0	0.0	0.0
2012	0.0	0.0	0.0	0.0	0.0	0.0
2013	0.0	0.0	0.0	0.0	0.0	0.0
2014	51.0	0.0	0.0	0.0	0.0	70.5
PRIOR	60.0	2.0	300.0	0.0	0.0	0.0
TO GO	75.0	0.0	0.0	65.0	16.0	450.0
TOTAL	135.0	2.0	300.0	65.0	16.0	450.0

Table 1 - Non-Residential Development Schedule

Note: Pursuant to the FY 2003 Plan, the Hotel and Golf Course, together with 60,000 square feet of commercial, have completely satisfied their FBA obligation in advance of actual construction of these developments in that these properties have participated in the funding of certain FBA improvements that were required and programmed in the first years of development of Black Mountain Ranch. Pursuant to City Ordinance O-15318, these properties have funded facilities in lieu of paying FBAs.

Methodology

Timing and Cost of Facilities

The necessary public facilities projects to be financed by the FBA funds are summarized in Table 7 on pages 30-31. Shown are: (a) project title, (b) fiscal year in which the construction is expected, (c) estimated costs, and (d) funding sources. The categories covered include water and sewer transmission lines, neighborhood parks, transportation improvements, fire, library, and administrative costs associated with the development, implementation and operation of the FBA program. Following Table 7 are detailed descriptions of the projects listed.

Method of Apportioning Assessments

To spread the costs for public facilities between the different classes of land use, an "Equivalent Dwelling Unit" or "EDU" has been established for each class. The basis for the EDU ratios is a single-family dwelling unit. The other classes are assigned an EDU ratio per dwelling unit or per acre, in proportion to respective benefits.

Since the relationship between land use and the degree of benefit from different public facilities can vary substantially, the EDU ratios have been identified for each category of facility to be constructed under the FBA. The following table shows the EDU ratios used to prepare these public facilities assessments.

Category	Trans	Parks	Fire	Water	Sewer	Library
Single-Family Residential	1.0	1.0	1.0	1.0	1.0	1.0
Multi-Family Residential	0.7	0.7	0.7	0.7	0.7	0.7
Hotel (per room)	0.56	0.0	0.5	1.25	1.25	0.0
Golf Course (per course)	50.0	0.0	20.0	50.0	50.0	0.0
Commercial Retail (per ksf)	0.4	0.0	0.4	0.8	0.8	0.0
Office (per ksf)	0.3	0.0	0.4	0.75	0.75	0.0
INST (per acre)	4.0	0.0	4.0	8.9	8.9	0.0
EC Industrial (per ksf)	0.2	0.0	0.4	1.14	1.14	0.0

Table 2 - NEDU Ratios

Determination of the Assessment Rate

The assessment rate amount for the FBA is determined on the basis of the following information: (1) the development schedule in dwelling units and acres, (2) the composite EDU factors for each type of land use, (3) the schedule of facility expenditures (in FY 2006 dollars) to be financed with monies from the FBA fund, (4) an interest rate of 2% for FY 2006 and FY 2007 and 4% for all years after FY 2007 to be applied to any surplus monies over time, (5) an inflation rate of 7% per year for FY 2006 and FY 2007 and 4% for all years after FY 2007 for determining the future costs of the facilities to be constructed, and (6) an assessment increase following the inflation factor application to assessments remaining unpaid at the end of each fiscal year.

Expenses from the funds are of three types: (1) direct payment for facility costs, (2) credits to developers for facilities provided in accordance with section 61.2213 of the FBA Ordinance, and (3) reimbursement to developers for costs in excess of their FBA obligation pursuant to a reimbursement agreement. Thus, whether a developer or the fund provides a facility, it is treated as an expense to the fund.

An individual developer will pay an assessment to the fund, based on the number of units developed in a particular year, and the developer's assessment may be credited against expenditures made or reimbursed in cash by the fund for facilities pursuant to the terms of a reimbursement agreement with the City.

An assessment rate is calculated to provide sufficient money to meet the scheduled, direct payments for facilities provided by the FBA fund. The base deposit rate also considers the timing of credits and reimbursements to be paid to developers for FBA funded facilities. Table 3 lists the FY 2006 Facilities Benefit Assessment base deposit rate for Black Mountain Ranch.

FBA Methods and Cash Flow Analysis

Table 4 presents a cash flow analysis for the Black Mountain Ranch FBA. The table shows the difference between accumulated FBA revenues (including earned interest) and capital improvement expenditures each year.

The results verify that under the assumed conditions for inflation factors, interest rates, land use development rates and facility costs, sufficient funds are expected for all listed facility requirements without incurring a negative cash flow at any time throughout the buildout of the community. This cash flow does not rely on developer construction of facilities, although it is expected that some facilities will be provided by the primary developers through reimbursement agreements.

Annual updates of the cash flow analyses, using actual event status (project status, revenues collected, actual construction costs incurred, etc.), are planned during community development. In this way, potential negative cash flow conditions can be anticipated, and expenditure adjustments can be scheduled to fit

funding expectations. Facility needs are related to the community growth rate. Scheduling of facility development is contingent on actual development in the community. Therefore, any slowdown in development will result in shifting of the projected schedule for providing needed facilities. When changes in the development rate occur, facility schedules will be modified accordingly and a new cash flow analysis will be prepared.

Basis and Methodology for Automatic Annual Increases

Increases in the Facilities Benefit Assessment are evaluated annually and adjusted to reflect the current economic conditions. The inflation factor used in FBA calculations is 7% for Fiscal Years 2006 and 2007 and 4% for all years after Fiscal Year 2007. These inflation factors are used to provide an automatic annual increase in fees due, effective July 1 of each year. This automatic increase provision is effective only until such time as the next annual adjustment is authorized by Council. Thereafter, the subsequent Council approved annual adjustment will prevail. Interest earnings for cash on hand are based on a 2% annual rate for Fiscal Years 2006 and 2007 and a 4% annual rate for all years after FY 2007.

Assessments will be assessed and levied, based on the type and extent of forecasted land use for each parcel within the areas of benefit. Table 3 shows the rate of assessment for each land use type for each projected year of development.

Contribution by City

Contributions which the City or other public entities make toward the total costs, if any, are specified in the individual Capital Improvements Program sheets following Table 7.

Facilities Benefit Assessments (FBAs)

Utilizing the City's cash flow calculations, the FBA schedule can be determined. The proposed assessment schedule is provided as Table 3. The results of the cash flow analysis are provided as Table 4. Table 5 illustrates the historical information pertaining to the Los Angeles/San Diego Construction Cost Index (CCI), as published by the Engineering News Record. The CCI provides one index on which to predict the effects of inflation, especially as it pertains to construction projects. Another index which has been used to predict the effects of inflation has been the Consumer Price Index (CPI) for San Diego. The historical information associated with this index has been provided as Table 6.

Assessment Roll Description

After adoption by the City Council of a Resolution of Designation which imposes the Facilities Benefit Assessment, liens will be placed on those properties within the Areas of Benefit that have not previously satisfied their FBA obligation per the assessment rolls. The maps, plats and assessment rolls summary data which define the Areas of Benefit and specify the assessments will be delivered to the County Recorder for official recording. The assessments are based upon the

type and extent of forecasted land use. The actual assessment is not due until building permit issuance and will be based on the actual type of land use being permitted. Payment is made directly to the San Diego City Treasurer.

For each undeveloped map portion or parcel in the Areas of Benefit, the Assessment Listings include the parcel number, the name and address of the owner on file in City records, the projected number of dwelling units or non-residential acres to be developed, and the resulting assessment for related properties. Ownership information is shown on the last equalized assessment roll or as otherwise known to the City Clerk. (Section 61.2205).

Identification numbers may be non-sequential as a result of the exclusion of some parcels as assessments are paid, as parcels change ownership or are subdivided.

Table 3
Table of FBA Assessments

FY	$/SFDU	$/MFDU	$/HROOM	$/CKSF	$/GOLF	$/INSTAC	$/ECKSF	$/OKSF
prior								
2005	$32,448	$22,714	$14,860	$10,741	$1,309,640	$107,397	$5,589	$8,163
2006	$44,650	$31,255	$20,447	$14,780	$1,802,127	$147,783	$7,691	$11,233
2007	$47,776	$33,443	$21,879	$15,814	$1,928,296	$158,130	$8,229	$12,020
2008	$49,687	$34,781	$22,754	$16,447	$2,005,426	$164,455	$8,558	$12,500
2009	$51,674	$36,172	$23,664	$17,105	$2,085,624	$171,031	$8,900	$13,000
2010	$53,741	$37,619	$24,611	$17,789	$2,169,050	$177,873	$9,256	$13,520
2011	$55,891	$39,124	$25,595	$18,501	$2,255,827	$184,989	$9,627	$14,061
2012	$58,127	$40,689	$26,619	$19,241	$2,346,074	$192,389	$10,012	$14,624
2013	$60,452	$42,316	$27,684	$20,010	$2,439,914	$200,085	$10,412	$15,209
2014	$62,870	$44,009	$28,791	$20,810	$2,537,511	$208,088	$10,828	$15,817

Table 3 - Table of FBA Assessments

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RATE: 4.00% (INFLATION) 7.00%
RATE: 4.00% (INTEREST) 2.00%

TABLE 4

BLACK MOUNTAIN RANCH CASH FLOW TABLE

September 2005 Plan

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FY	NEDU FACTORS—> SFDU	MFDU	HROOM	CKSF	GOLF	INSTAC	ECKSF	OKSF	1.00 1.00 $/SFDU	0.70 0.70 $/MFDU	0.45 0.45 $/HROOM	0.33 0.33 $/CKSF	40.36 40.36 $/GOLF	3.31 3.31 $/INSTAC	0.17 0.17 $/ECKSF	0.25 0.25 $/OKSF	INPUT $ PLUS INTEREST	CIP $$	NET BAL.$	
prior	983	317	300.0	60.0	2.0	0.0	0.0	0.0												prior
2005	63	0	0.0	0.0	0.0	0.0	0.0	0.0	$32,448	$22,714	$14,860	$10,741	$1,309,640	$107,397	$5,589	$8,163	$0	$0	**$385,887**	2005
2006	226	230	0.0	0.0	0.0	0.0	0.0	0.0	$44,650	$31,255	$20,447	$14,780	$1,802,127	$147,783	$7,691	$11,233	$17,290,430	$16,967,202	**$709,115**	2006
2007	666	30	0.0	0.0	0.0	0.0	0.0	0.0	$47,776	$33,443	$21,879	$15,814	$1,928,296	$158,130	$8,229	$12,020	$32,892,498	$27,208,256	**$6,393,356**	2007
2008	523	253	0.0	0.0	0.0	0.0	0.0	0.0	$49,687	$34,781	$22,754	$16,447	$2,005,426	$164,455	$8,558	$12,500	$35,208,939	$26,548,227	**$15,054,069**	2008
2009	375	225	0.0	12.0	0.0	10.6	67.5	0.0	$51,674	$36,172	$23,664	$17,105	$2,085,624	$171,031	$8,900	$13,000	$30,848,235	$24,902,291	**$21,000,013**	2009
2010	345	155	0.0	12.0	0.0	5.4	312.0	65.0	$53,741	$37,619	$24,611	$17,789	$2,169,050	$177,873	$9,256	$13,520	$30,081,957	$33,246,642	**$17,835,328**	2010
2011	235	125	0.0	0.0	0.0	0.0	0.0	0.0	$55,891	$39,124	$25,595	$18,501	$2,255,827	$184,989	$9,627	$14,061	$18,662,459	$22,173,546	**$14,324,241**	2011
2012	235	125	0.0	0.0	0.0	0.0	0.0	0.0	$58,127	$40,689	$26,619	$19,241	$2,346,074	$192,389	$10,012	$14,624	$19,289,370	$20,510,933	**$13,102,678**	2012
2013	175	75	0	0.0	0.0	0.0	0.0	0.0	$60,452	$42,316	$27,684	$20,010	$2,439,914	$200,085	$10,412	$15,209	$14,236,576	$16,031,427	**$11,307,826**	2013
2014	32	7	0	51.0	0.0	0.0	70.5	0.0	$62,870	$44,009	$28,791	$20,810	$2,537,511	$208,088	$10,828	$15,817	$4,459,448	$11,243,338	**$4,523,936**	2014
TOTAL	3,858	1,542	300.0	135.0	2.0	16.0	450.0	65.0			0.45795	0.33101	40.36118	3.30951	0.17224	0.25158	$202,969,911	$198,831,862		
		5,400																		

NOTE 1: $ VALUES ROUNDED TO NEAREST DOLLAR

Table 5
Los Angeles/San Diego Construction Cost Index
as reported by Engineering News Record

YEAR	CCI	PERCENT CHANGE/YEAR	THREE YEAR ROLLING AVERAGE
1974	2000	–	
1975	2308	15.4	
1976	2648	14.7	
1977	2949	11.4	13.8
1978	3178	7.8	11.3
1979	3384	6.5	8.6
1980	3656	8.0	7.4
1981	4083	11.7	8.7
1982	4521	10.7	10.1
1983	4934	9.1	10.5
1984	5051	2.4	7.4
1985	5264	4.2	5.2
1986	5446	3.5	3.4
1987	5452	0.1	2.6
1988	5773	5.9	3.2
1989	5774	0.0	2.0
1990	5789	0.3	2.1
1991	6084	5.1	1.8
1992	6286	3.3	2.9
1993	6361	1.2	3.2
1994	6475	1.8	2.1
1995	6517	0.6	1.2
1996	6522	0.0	0.8
1997	6571	0.8	0.5
1998	6673	1.6	0.8
1999	6832	2.4	1.6
2000	7056	3.3	2.4
2001	7073	0.2	2.0
2002	7440	5.2	2.9
2003	7572	1.8	2.4
2004	7735	2.2	3.1
2005	8234	6.5	3.5

Table 5 - Los Angeles/San Diego Construction Cost Index

Table 6
San Diego Consumer Price Index

YEAR	CPI	PERCENT CHANGE/YEAR
1984	103.5	
1985	109.2	5.5
1986	112.8	3.3
1987	116.6	3.4
1988	121.9	4.5
1989	128.9	5.7
1990	136.5	5.9
1991	142.2	4.2
1992	147.0	3.4
1993	150.4	2.3
1994	154.3	2.6
1995	156.3	1.3
1996	159.8	2.2
1997	163.7	2.4
1998	166.0	1.4
1999	171.7	3.4
2000	179.8	4.7
2001	190.1	5.7
2002	195.7	2.9
2003	203.8	4.1
2004	211.4	3.7

Table 6 - San Diego Consumer Price Index

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